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Title:
Regulations governing the establishment, operation..
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U. S. *Foreign-trade zones board.*

... Regulations governing the establishment, operation, maintenance and administration in the United States of foreign-trade zones with rules of procedure and practice in formal and informal proceedings and text of the act. First issue. Effective June 29, 1935. Washington, U. S. Govt. print. off., 1935.

viii, 33 p. 23½cm.

At head of title: U. S. Department of commerce. Daniel C. Roper, secretary. Foreign-trade zones board. Thos. E. Lyons, executive secretary.

1. U. S.—Comm. I. Title. II. Title: Foreign-trade zones.

35-26622

Library of Congress HF1418.U7 1935

Copy-2. [30d13] 387.1330973

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REGULATIONS

GOVERNING THE ESTABLISHMENT, OPERATION
MAINTENANCE, AND ADMINISTRATION
IN THE UNITED STATES OF

FOREIGN-TRADE ZONES

WITH RULES OF PROCEDURE AND PRACTICE IN
FORMAL AND INFORMAL PROCEEDINGS
AND TEXT OF THE ACT

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Secretary of the Treasury

GEORGE H. DERN
Secretary of War

THOS. E. LYONS
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[See par. 1302, p. 16]

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Chief Counsel of the Customs Bureau.

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CONTENTS

PART I. REGULATIONS GOVERNING THE ESTABLISHMENT, OPERATION, MAINTENANCE, AND ADMINISTRATION OF FOREIGN-TRADE ZONES IN THE UNITED STATES

		Page
Executive order		VII
Article	**Paragraph**	
I. Definitions	100–110	1
II. Jurisdiction and authority of Board	200–202	2
Duties of the Board	200	2
Cooperation with other agencies	201	3
Cooperation with Board of other agencies of the Government	202	3
III. Number and location of zones	300–303	3
Each port of entry entitled to at least one zone	300	3
Port of entry located in more than one State entitled to a zone in each such State	301	3
Zone may be authorized in each of two cities separated by water in one port of entry	302	3
Additional zones in port of entry may be authorized by Board	303	3
IV. Economic, financial, and physical requirements for establishment of zone	400–403	3
Economic survey of proposed zone	400	3
Proof of ability of applicant to adequately finance zone	401	3
Physical facilities required in the operation of a zone	402	3
Construction and operation of equipment for segregation from customs territory and quarters for personnel	403	5
V. Eligible applicants	500–503	6
Grants made to corporations	500	6
Requirements for grant where harbor facilities owned and controlled by State and by municipality	501	6
Act of State legislature necessary in case of private corporation	502	6
Preference to public corporations	503	6
VI. Application for grants	600–608	6
Address	600	6
Number of copies	601	6
Form and content	602	6
Exhibits	603	6
Additional information	604	9
Publicity may be given to information contained in Application	605	10
Amendments	606	10
Applications for expansion of zone	607	10
Priorities	608	10
VII. Grants subject to conditions	700–702	10
Penalty for delay	700	10
Disposition of grant prohibited	701	10
Special conditions	702	10
VIII. Operation of zone	800–812	10
Operations permitted	800	10
Exhibition of goods	801	11
Exclusion of merchandise from zone	802	11

PART I—Continued

Article	**Paragraph**	**Page**
VIII. Operation of zone—Continued.		
Exclusion from zone of goods or process of treatment	803	12
Retail trade within zone	804	12
Vessels entering and leaving zone	805	12
Residence within zone	806	12
Employees and persons entering and leaving zone	807	12
All persons entering zone bound by regulations	808	13
Identification of employees within zone	809	13
Hours of business and service	810	13
Payment of customs officers and employees	811	13
Erection of buildings within zone by persons other than grantee	812	13
IX. Maintenance of zone	900–901	14
Structures and facilities to be maintained in good order	900	14
Penalty for failure to make repairs or alterations	901	14
X. Administration of zone	1000–1005	14
Regulations promulgated by grantee	1000	14
Posting of regulations within zone	1001	14
Grantee's reports to Board	1002	14
Zones to be operated as public utilities	1003	14
Inspection of zones	1004	14
Separability of regulations in event of invalidity	1005	15
Changes in regulations	1006	15
XI. Use of Government property	1100	15
XII. Violations of provisions of act or regulations	1200–1203	15
Fine imposed for violation of act or regulations	1200	15
Revocation of grant	1201	15
Procedure for revocation	1202	15
Appeal from revocation order	1203	15
XIII. Rules of procedure and practice	1300–1322	16
Headquarters	1300	16
Organization of Board	1301	16
Committee of Alternates	1302	16
Meetings of the Board	1303	16
Order of business	1304	16
Authorization for hearings	1305	16
Orders of Board	1306	16
Applications	1307	16
Examiners Committee	1308	16
Hearings before Examiners Committee	1309	17
Submission of further evidence	1310	17
Rehearing on application	1311	17
Action of Board on application	1312	17
Payment for inspection	1313	17
Construction of zone	1314	17
Operation, maintenance, and administration	1315	17
Evidence	1316	17
Object of hearing	1317	18
Notice of hearing	1318	18
Procedure at hearing	1319	18
Adjournment of hearing	1320	19
Record of proceedings	1321	19
Additional rules of practice	1322	19

PART II. REGULATIONS GOVERNING CUSTOMS PROCEDURE IN FOREIGN-TRADE ZONES IN THE UNITED STATES

	Page
Regulations governing customs procedure in foreign-trade zones in the United States	20
The act providing for the establishment of foreign-trade zones in the United States	20
Article	
1. Definitions	24
2. Vessels entering and leaving a zone	24

PART II—Continued

Article		Page
3.	Vessels arriving in customs territory from a zone	24
4.	Bringing foreign merchandise into a zone	25
5.	Bringing domestic merchandise into a zone	25
6.	Immediate liquidation	25
7.	Customs supervision of entry of domestic merchandise	27
8.	Customs control of merchandise in a zone	28
9.	Entry of merchandise into customs territory from a zone	30
10.	Tariff classification	32
11.	Marking	32
12.	Transfer of merchandise from one zone to another	32
13.	Disposition of abandoned merchandise	33
14.	Reimbursement of customs expenses	33

EXECUTIVE ORDER 7104

DIRECTING EXECUTIVE DEPARTMENTS AND OTHER ESTABLISHMENTS OF THE GOVERNMENT TO COOPERATE WITH FOREIGN-TRADE ZONES BOARD

By virtue of and pursuant to the authority vested in me by section 10 of the act of June 18, 1934 (48 Stat. 998, 1001), I hereby order and direct the executive departments and other establishments of the Government to cooperate with the Board established by the said act for carrying out the purposes thereof, and at the request of the said Board to furnish it such records, papers, and information in their possession as it may require, and to temporarily detail to its service such officers, experts, or engineers as may be necessary for the purpose of facilitating the investigation of the Board and its work in connection with the establishment, operation, and maintenance of foreign-trade zones.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
July 18, 1935.

FOREIGN-TRADE ZONES BOARD

WASHINGTON, D. C., *June 29, 1935.*

ORDER No. I

Pursuant to the provisions of the act approved June 18, 1934, Public No. 397, the following regulations adopted by the Board are promulgated for the information and guidance of all concerned.

DANIEL C. ROPER,
Secretary of Commerce, Chairman of the Board.

Part I. REGULATIONS GOVERNING THE ESTABLISHMENT, OPERATION, MAINTENANCE, AND ADMINISTRATION OF FOREIGN-TRADE ZONES IN THE UNITED STATES

Article I.—DEFINITIONS

100. The term "act" means Public No. 397, Seventy-third Congress, approved June 18, 1934.

101. The term "zone" means a "foreign-trade zone" as provided in the act and as more particularly described in these regulations. A zone is an isolated, enclosed, and policed area, under the supervision of a designated board of Federal officials, operated as a public utility by a corporation, in or adjacent to a port of entry, without resident population, furnished with the necessary facilities for lading and unlading, for storing goods, and for reshipping them by land and water; an area into which goods may be brought, stored, and subjected to certain specified manipulation operations. If reshipped to foreign points the goods may leave the restricted trade zone without payment of duties and without the intervention of customs officials, except under certain conditions. Such products cannot, of course, leave the trade zone for domestic use or consumption without full compliance with existing customs laws. Goods may not be manufactured or exhibited in such an area. The area is subject equally with adjacent regions to all the laws relating to public health, vessel inspection, Postal Service, immigration, and to the supervision of Federal agencies having jurisdiction in ports of entry, including customs, to a limited extent.

102. The term "Secretary" means the Secretary of Commerce.

103. The term "Board" means the Board created by the act to carry out the provisions thereof. The Board shall consist of the Secretary of Commerce, who shall be chairman and executive officer, the Secretary of the Treasury, and the Secretary of War.

104. The term "State" includes any State, the District of Columbia, Alaska, Hawaii, and Puerto Rico.

105. The term "corporation" means a public or a private corporation:

(*a*) "Public corporation" means a State, political subdivision thereof, a municipality, a public agency of a State, political subdivision thereof, or municipality, or a corporate municipal instrumentality of one or more States.

(*b*) "Private corporation" means any corporation (other than a public corporation) which is organized for the purpose of establishing, operating, and maintaining a foreign-trade zone and which is chartered under a special act (enacted after June 18, 1934) of the State or States within which it is to operate such zone.

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106. The term "applicant" means a corporation applying for the right to establish, operate, and maintain a foreign-trade zone.

107. The term "grantee" means a corporation to which the privilege of establishing, operating, and maintaining a foreign-trade zone has been granted.

108. The terms "collector" and "collector of customs" mean the collector of customs in whose district the zone is located.

109. The term "District engineer" means the engineer of the War Department in whose district the zone is located.

110. The term "examiner" means an employee of the Board, an expert, officer, engineer, or any other person who is designated by the Board to conduct an investigation concerning the establishment, operation, maintenance, or administration of a zone.

Article II.—JURISDICTION AND AUTHORITY OF BOARD

200. Duties of the Board.—The Board is authorized, subject to the provisions of the act, the laws governing the navigable waters of the United States, the laws governing foreign and interstate commerce, those controlling the revenue, the Shipping Act of 1916 as amended, the Interstate Commerce Act, and other laws of the United States applicable to zones:

(*a*) To grant to corporations, subject to the conditions and restrictions of the act and of the rules and regulations made thereunder, the privilege of establishing, operating, and maintaining foreign-trade zones in or adjacent to ports of entry under the jurisdiction of the United States, if it finds that the proposed plans and location are suitable for the accomplishment of the purpose of the foreign-trade zone under the act, and that the facilities and appurtenances which it is proposed to provide are sufficient.

(*b*) To prescribe such rules and regulations as may be necessary to establish and conduct such zones.

(*c*) To approve rates and charges for all services or privileges within the zone, and to assure uniform treatment under like conditions to users of the zone or to merchandise within the zone subject to such treaties or commercial conventions in force at the time.

(*d*) To require compliance with lawful regulations of the Board and of other Government departments, State or municipal agencies, which may be applicable to the zone.

(*e*) To prescribe the form and manner of keeping the accounts of the zone.

(*f*) To require the submission annually, and at such other times as the Board may prescribe, of reports containing full statements of the operations, receipts, and expenditures, and such other information as the Board may require.

(*g*) To inspect and examine at such times as the Board may deem advisable the premises, operations, or accounts of the grantee.

(*h*) To impose fines of not to exceed $1,000 per day for violations of the act or of these regulations.

(*i*) To revoke the grant of any corporation after due notice and public hearing for repeated and willful violations of the act.

(*j*) To prescribe reasonable and uniform regulations for like conditions and circumstances for the erection of buildings within the zone by other than the grantee.

(*k*) To make a report to the Congress on the first day of each regular session, containing a summary of the operation and fiscal condition of each zone, and to transmit therewith copies of the annual report of each grantee.

(*l*) To perform such other duties as may be necessary to administer the provisions of the act.

201. Cooperation with other agencies.—The Board is authorized to cooperate:

(*a*) With other Government departments or other Federal agencies having jurisdiction in or adjacent to ports of entry.

(*b*) With State and local authorities in the exercise of their police, sanitary, and other powers in connection with the zone.

202. Cooperation with Board of other agencies of the Government.—By authority of the act and Executive Order No. 7104, the executive departments and other establishments of the Government will furnish to the Board such records, papers, and information in their possession as may be required by the Board, and temporarily detail to the service of the Board such officers, experts, or engineers as may be necessary to enable the Board to carry out its duties under the act.

Article III.—NUMBER AND LOCATION OF ZONES

300. Each port of entry entitled to at least one zone.—Subject to the provisions of the act and of these regulations, each port of entry shall be entitled to at least one zone.

301. Port of entry located in more than one State entitled to a zone in each such State.—When a port of entry is located within the confines of more than one State, such port of entry shall be entitled to a zone in each of such States.

302. Zone may be authorized in each of two cities separated by water in one port of entry.—When two cities separated by water are embraced in one port of entry, a zone may be authorized in each of said cities, or in territory adjacent thereto.

303. Additional zones in port of entry may be authorized by Board.—Zones in addition to those to which a port of entry is entitled shall be authorized only if the Board finds that existing or authorized zones will not serve adequately the convenience of commerce.

Article IV.—ECONOMIC, FINANCIAL, AND PHYSICAL REQUIREMENTS FOR ESTABLISHMENT OF ZONE

400. Economic survey of proposed zone.—Before a grant is made, an economic survey must demonstrate to the satisfaction of the Board that the anticipated commerce, benefits, and returns, both direct and indirect, will justify its construction to expedite and encourage foreign commerce.

401. Proof of ability of applicant to adequately finance zone.—The ability of the applicant to adequately finance and conduct the undertaking must be demonstrated to the complete satisfaction of the Board.

402. Physical facilities required in the operation of a zone.—

(*a*) *Where zone will be adjacent to water:*

(1) Adequate slips to accommodate vessels engaged in foreign trade.

(2) Wharves and docks suitably constructed for the needs of the specific commodities to be handled over them.
(3) Mooring facilities for the protection of vessels while loading, unloading, or awaiting berth.
(4) Transit sheds on the wharves for the protection of goods accumulated for shipment or unloaded and awaiting disposition.
(5) Warehouses so constructed and located as to meet the requirements of goods to be stored and the special regulations of the Treasury Department to safeguard the revenue.
(6) Transportation connections with systems serving surrounding territory and other parts of the United States, so arranged as to permit of proper guarding and inspection for the portection of the revenue.
(7) Fuel facilities for servicing vessels with coal or other fuel, with adequate reserve storage spaces.
(8) Light and power facilities throughout the zone, on the wharves and docks, and to meet any special requirements of the Treasury Department in safeguarding revenue.
(9) Water and sewer mains constructed to meet approved plans for service and health protection.
(10) Fire protection suitable for proper protection of zone and goods in storage.
(11) Administrative and living quarters and facilities for the officers and employees of the United States, State, and municipality, whose duties may require their presence with the zone.
(12) Adequate enclosures to segregate the zone from customs territory for the protection of the revenue, together with suitable provisions for ingress and egress of persons, conveyances, vessels, and merchandise.
(13) Sanitary facilities and appliances to conform to Federal and local requirements.
(14) Adequate facilities for the disinfection and fumigation of merchandise as required.
(15) Such other facilities as may be required by the Board.
(*b*) *Where zone will not be adjacent to water:*
(1) Warehouses so constructed and located as to meet the requirements of goods to be stored and the special regulations of the Treasury Department to safeguard the revenue.
(2) Transportation connections with systems serving surrounding territory and other parts of the United States, so arranged as to permit of proper guarding and inspection for the protection of the revenue.
(3) Light and power facilities throughout the zone, and to meet any special requirements of the Treasury Department in safeguarding the revenue.
(4) Water and sewer mains constructed to meet approved plans for service and health protection.
(5) Fire protection suitable for proper protection of zone and goods in storage.
(6) Administrative and living quarters and facilities for the officers and employees of the United States, State, and municipality, whose duties may require their presence within the zone.

(7) Adequate enclosures to segregate the zone from customs territory for the protection of the revenue, together with suitable provisions for ingress and egress of persons, conveyances, and merchandise.
(8) Sanitary facilities and appliances to conform to Federal and local requirements.
(9) Adequate facilities for the disinfection and fumigation of merchandise as required.
(10) Such other facilities as may be required by the Board.
(*c*) *Ratproofing and sanitation.*—All buildings and other structures within the zone, whether it is adjacent to water or not, shall be so constructed or altered, and maintained, as may be required by the Surgeon General, United States Public Health Service, to prevent the harborage of rodents. Water supply, sewage disposal, and provision for general sanitation (including adequate facilities for disinfection and fumigation) shall be as required by the Surgeon General, United States Public Health Service.

403. Construction and operation of equipment for segregation from customs territory and quarters for personnel.—

(*a*) All zones shall be segregated from the land area of adjacent customs territory by a fence of woven galvanized-wire netting, of not less than no. 6 gage wire, with a mesh not exceeding 2 inches, and an over-all height of at least 10 feet above the concrete base in which the posts are set. The netting shall be securely attached to the insides of the posts and shall be set sufficiently low so as to be flush with the ground at all times. The fence shall be topped by at least three strands of galvanized barbed wire, four-point type, each strand consisting of two strands of no. 12½ gage wire. The three strands shall be secured to metal brackets affixed to the top of each post, the brackets inclining at approximately 45° inward and upward. The strands shall be parallel and from 3 to 4 inches apart. Suitable concrete or metal posts shall be set in concrete footings, not less than 3 feet deep by 10 inches square, and with centers not more than 10 feet apart. Proper anchors and braces shall be installed at corners and gates. The gates shall be of the same material and height as the fence and shall be topped by three strands of the barbed wire above described, such strands to be affixed to metal brackets perpendicular with the gate. Suitable attachments shall be secured to the gates for the purpose of affixing locks. Alternate proposals for barriers of equal efficiency may be approved by the Board.
(*b*) If, according to the terrain or other factors adjacent to the fence surrounding the enclosure, or for other reasons, the height of the fence as provided for herein is not sufficient for proper protection to the revenue, the height shall be suitably increased at the direction of the Board or the collector.
(*c*) If sides of buildings situated within a zone form a part of the zone enclosure in lieu of the fence prescribed above, all openings in such sides of the buildings shall be securely closed by heavy metal netting, grills, or other effective barriers.
(*d*) Fences and other exterior lines of the zone shall be equipped with electric lights and shall be illuminated to the satisfaction of the collector during such times as he may deem necessary.
(*e*) Such additional protection against the unauthorized transit of persons, goods, or conveyances to or from a zone shall be provided as may be deemed necessary by the collector.

(*f*) Adequate living quarters, administrative and other facilities for officers and employees of the United States, State, and municipality whose duties may require their presence within the zone, shall be provided by the grantee. The requirements and extent of these facilities will be fixed by the Board.

(*g*) Each grantee shall provide and maintain such other facilities as may be required from time to time by the Board.

ARTICLE V.—ELIGIBLE APPLICANTS

500. Grants made to corporations.—Grants may be made to public or private corporations.

501. Requirements for grant where harbor facilities owned and controlled by State and by municipality.—Where harbor facilities of any port of entry in the State are owned and controlled by the State, and where harbor facilities of any other port of entry in the State are owned and controlled by a municipality, grants to *public* corporations will not be approved by the Board unless such applications have been authorized by an act of the State legislature (enacted after June 18, 1934).

502. Act of State legislature necessary in case of private corporations.—Grants to *private* corporations will not be approved by the Board unless such corporations have been authorized by an act of the State legislature (enacted after June 18, 1934).

503. Preference to public corporations.—In granting applications preference will be given by the Board to public corporations.

Article VI.—APPLICATIONS FOR GRANTS

600. Address.—Applications for grants should be filed with, and all official communications in connection therewith addressed to the Secretary of Commerce, Chairman and Executive Officer of the Foreign Trade Zones Board, Washington, D. C.

601. Number of copies.—Every application, exhibit, or enclosure, except where specifically excepted, shall be in quadruplicate duly authenticated and referenced.

602. Form and content.—Every application shall be in letter form on letter-size paper and shall contain the date, official designation of the applicant, and shall show whether the application is for the establishment or expansion of the zone, be signed by an authorized officer of the corporation, and bear the corporate seal.

603. Exhibits.—Every application shall be accompanied by the following exhibits:

Exhibit no. 1.—Descriptions of (1) the location and qualifications of the area in which it is proposed to establish the zone, showing by metes and bounds, unless these are shown in full on the maps accompanying the application, the land and water area, or land or water area, or land area alone if the application is for the establishment of a zone in or adjacent to an interior port of entry; (2) the means of segregation from customs territory, as required by article IV of these regulations; (3) the fitness of the area for a zone; and (4) the possibilities of expansion of the zone area.

Exhibit no. 2.—A statement as to whether the port is within the confines of more than one State, and whether the zone will be in or adjacent to a port of entry.

Exhibit no. 3.—A statement giving full details as to the applicant's plans for acquiring title to, or the right to occupy and use, lands other than those owned by the applicant or by the United States, which are essential for carrying out the project or projects covered by the application. If the applicant, at the time of filing the application, has, by easement, lease, franchise, or otherwise, acquired the right to occupy and use lands owned by others, the statement must show, with respect to each separate right of occupancy and use: (1) from whom acquired; (2) the date acquired; (3) nature and extent of the right acquired; (4) whether perpetual or of limited term; and (5) if of limited term, when such term expires.

Exhibit no. 4.—A statement showing in detail the method proposed to finance the undertaking, accompanied by proof of the ability of the applicant to finance the construction and operation of the zone.

Exhibit no. 5.—An economic survey showing in detail the potential commerce and revenue of the proposed zone and other direct and indirect benefits accruing therefrom; present foreign trade of the port area, including transshipment, reexport, and reconsignment trade; present steamship services, and possible increases in such services where necessary; comparative study of export rates on domestic commodities for mixing with foreign goods; analysis of ocean freight rates where applicable to zone activity; potential new markets for zone business; activities best suited to particular zone; and such other data as may be necessary to a determination of whether the establishment of the zone is justified to expedite and encourage foreign commerce.

Exhibit no. 6.—(*a*) A description of the proposed project, *where zone will be adjacent to water*, to include:

(1) Slips and docks, giving number and for each the dimensions and depth of water below a stated datum;

(2) Wharves, giving number and for each the type of construction, width, area, sheds, loading and unloading facilities, trackage, fire protection, mooring facilities, and an estimate of the number of ocean-going ships which could be accommodated;

(3) Warehouses, giving type of construction, floor area, and fire protection;

(4) Transportation connections by rail and highway, giving the number of tracks and routes by which they would be connected with existing rail and highway systems;

(5) Facilities for coal and other fuel, and for light and power;

(6) Water and sewer mains;

(7) Administrative and living quarters and facilities to be provided for the officers and employees of the United States, State, and municipality, whose duties may require their presence within the zone (as required by article VIII of these regulations);

(8) Enclosure to segregate the zone from customs territory, together with the provisions for ingress and egress of persons, conveyances, vessels, and merchandise, showing in detail compliance with article VIII of these regulations, and including a description of openings and. if buildings form part of the enclosure line, a full description of the construction of the buildings and any openings therein on the line side.

(*b*) A description of the proposed project, *where zone will not be adjacent to water*, to include:

(1) Loading and unloading facilities;

(2) Warehouses, giving type of construction, floor area, and fire protection;

(3) Transportation connections by rail and highway, giving the number of tracks and routes by which they would be connected with existing rail and highway systems;

(4) Facilities for coal and other fuel, and for light and power;

(5) Water and sewer mains;

(6) Administrative and living quarters and facilities to be provided for the officers and employees of the United States, State, and municipality, whose duties may require their presence within the zone (as required by article VIII of these regulations);

(7) Enclosure to segregate the zone from customs territory, together with the provisions for ingress and egress of persons, conveyances, and merchandise, showing in detail compliance with article VIII of these regulations, and including a description of openings and, if buildings form part of the enclosure line, a full description of the construction of the buildings and any openings therein on the line side.

Exhibit no. 7.—A preliminary estimate of the cost of the proposed project, sufficiently detailed to be subject to verification.

Exhibit no. 8.—A statement of the time after the date of the approval of the application within which the applicant proposes to commence and complete the construction of the zone and the facilities and appurtenances, and to set up and commence operation of the zone.

Exhibit no. 9.—The largest scale charts of the United States Coast and Geodetic Survey of the locality, showing in red the boundaries of the proposed zone (four copies); or if an interior zone, four copies of a map on an appropriate scale, showing in red the boundaries of the proposed zone.

Exhibit no. 10.—A detailed map, on tracing linen and three blue line prints, showing the proposed lay-out of the zone.

(*a*) The map shall be not smaller than 24 inches by 36 inches and not larger than 28 inches by 40 inches; shall have a clear border of one-half inch on three sides and 2½ inches on the left-hand shorter side; shall have a numerical scale and a graphical scale, the latter not less than 6 inches in length; shall have the true meridian indicated thereon; and shall have a space 4 inches by 7 inches in the lower right-hand corner, the upper half of which shall bear the title, scale, etc., and the lower half shall be left clear.

(*b*) The map shall show, in land areas, all existing structures and improvements, and, on water areas, by soundings, the present depths below a plane of reference stated on the map. The outline of the proposed slips, docks, wharves, warehouses, streets and highways, railroads, facilities for fuel, light, power, water and sewer mains; quarters and enclosures shall be shown by suitable heavy lines and these features designated clearly by lettering. The depths to be provided in water areas below the noted datum plane shall be shown by figures.

(*c*) The scale of the map shall be such as to show the complete zone on one sheet of the size prescribed.

(*d*) If rail connections to existing railroad systems cannot be shown on the map of the zone, an additional map or maps on tracing linen and three blue line prints, showing the proposed rights-of-way therefor and all structures, streets, and other improvements affected thereby shall be furnished. These maps shall be subject to the same requirements as to size, border, scale, meridian, and title as the map of the zone.

Exhibit no. 11.—(*a*) If the applicant is a *State*, the application for a grant shall be accompanied, as evidence of the applicant's qualifications to make application, by a copy of the law or laws under authority of which the application is made, duly certified by the Governor or secretary of state of the State under seal, and three uncertified copies of such law or laws (enacted after June 18, 1934).

(*b*) If the applicant is a *public corporation, other than a State*, as defined in section 1 (*e*) of the act, the application for a grant shall be accompanied by evidence of the applicant's qualifications to make the application, as follows:

(1) A copy of its charter or other organization papers duly certified by the secretary of state of the State in which it is located, or by the officer having legal custody of the record of municipal and other public corporations (one copy only);

(2) A statement under seal of the secretary of state of the State or other officer charged by State laws with supervision of harbor facilities, setting forth whether the State owns and controls harbor facilities of any port of entry and whether harbor facilities of any other port of entry in the State are owned and controlled by a municipality, with three uncertified copies of such statement.

(*c*) If the applicant is a *private corporation*, the application for a grant shall be accompanied by evidence of the applicant's qualifications to make the application, as follows:

(1) A copy of its charter or articles of incorporation duly certified by the secretary of state of the State where organized or other officer having legal custody of a record of incorporation (one certified and three uncertified copies);

(2) A sworn statement, under corporate seal, setting forth that the organization of the corporation is completed, showing that the corporation is authorized to proceed with the establishment of a foreign-trade zone under the laws of the State, and giving a true list of the principal officers of the corporation, with the full names and official designation of each, with three copies of such statement;

(3) A certified copy of the special act or acts of the State or States in which the zone is located (enacted after June 18, 1934) and providing for the chartering of the corporation for the specific purpose of establishing a zone, with three uncertified copies of such act or acts.

Exhibit no. 12.—Evidence satisfactory to the Board that permits for construction have been obtained from Federal, State, or municipal authorities.

Exhibit no. 13.—Duly authenticated copies of the proceedings of the governing body of the corporation authorizing the official signing the application to make such application.

604. Additional information.—An applicant may be required by the Board to furnish maps, plans, or other data in addition to the re-

quirements specifically set forth in these regulations, if, in the judgment of the Board, such additional data are desirable for a full understanding of the project or projects, or for the purpose of enabling the Board to review the design thereof, either in whole or in part.

605. Publicity may be given to information contained in application.—The names of applicants, general descriptions of projects and maps will be available for general public information. Other information concerning applications will not be made public except upon a showing satisfactory to the Board of the public necessity or desirability therefor, or with the consent of the applicant. At public hearings upon any application, the Board may require the presentation of such information respecting the application as in its judgment the proper conduct of the hearings or the public interest requires.

606. Amendments.—The Board may upon its own initiative or upon request permit the amendment of an application.

607. Applications for expansion of zone.—Applications for expansion of an established zone shall be made and approved in the same manner as an original application.

608. Priorities.—Applications will be considered to have been filed as of the date of receipt by the Board of the information called for in paragraphs 600–603, inclusive.

Article VII.—GRANTS SUBJECT TO CONDITIONS

700. Penalty for delay.—Should the grantee fail to commence construction, diligently to carry construction to completion, and to set up and commence operation of the zone with zeal and ability, within the time stated in the grant, on a proper showing of negligence before the Board, the grantee shall be considered as having failed to comply with the conditions set forth in its application, and the grant shall become null and void. The grantee may, however, petition the Board for an extension of time for commencing and completing construction and for setting up and commencing operation of the zone, provided such petition shall be filed with the Board before the expiration of the time specified in the grant (or any extension thereof) for which an extension is desired. The Board may grant the petition provided a proper showing has been made that the extension is in the public interest.

701. Disposition of grant prohibited.—The grant shall not be sold, conveyed, transferred, set over, or assigned.

702. Special conditions.—Special conditions applicable to a particular zone may be required by the Board and inserted in the grant for that zone.

Article VIII.—OPERATION OF ZONE

800. Operations permitted.—

(*a*) Foreign and domestic merchandise of every description (except merchandise prohibited by law), may, without being subject to the customs laws of the United States, except as otherwise provided in the act, be brought into a zone and may be stored, broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed

with foreign or domestic merchandise, or otherwise manipulated, but not manufactured or exhibited, and may be exported. Foreign merchandise may be sent into customs territory of the United States from a zone, in the original package or otherwise; but when foreign merchandise is so sent from a zone into customs territory of the United States, such merchandise shall be subject to the laws and regulations of the United States affecting imported merchandise.

(*b*) If the privilege is requested, however, foreign merchandise may be unladen under customs supervision and appraised, and the duties liquidated thereon. Such merchandise may be stored or manipulated under appropriate regulations, and within 2 years after such unlading, whether mixed with domestic merchandise or not, be sent into customs territory upon the payment of the liquidated duties. If not so sent into customs territory within the 2 years, such merchandise shall be disposed of under regulations prescribed by the Secretary of the Treasury, and out of the proceeds the duties shall be paid, and the remainder, if any, delivered to the owners of the property.

(*c*) Domestic merchandise and merchandise previously imported on which duty has been paid, or which has been admitted free of duty, subject to regulations of the Secretary of the Treasury, may be taken into a zone from customs territory of the United States and brought back thereto free of duty, whether or not it has been combined with or made part of other articles while in such zone, provided that proper identification of the merchandise has been maintained. If the identity has not been properly maintained, such merchandise shall be treated, when it reenters customs territory, as foreign merchandise under the provisions of the tariff laws in force at that time.

(*d*) Merchandise properly in a zone may there be manipulated under the provisions of section 3 of the act, provided that the merchandise shall not be subjected to any process or treatment in connection with such manipulation which results in a manufacture.

(*e*) Permission to manipulate shall be obtained from the collector of customs. Should the collector be in doubt as to whether or not a contemplated manipulation is authorized in the act he shall refer the application for permission to manipulate to the Commissioner of Customs for decision. In the event the applicant is dissatisfied with the decision of the Commissioner of Customs, appeal may be made to the Board.

801. Exhibition of goods.—Merchandise brought into a zone shall not be exhibited. This provision shall not prevent bona fide customers from examining and sampling merchandise, but no display counters or other form of exhibiting goods may be permitted.

802. Exclusion of merchandise from zone.—Merchandise which is prohibited by law shall not be admitted into a zone. The admission into a zone of merchandise, the importation of which into the United States is restricted but not absolutely prohibited, such as certain special classes of merchandise as set forth in chapter X, Customs Regulations of 1931, shall be under such provisions as may be prescribed by the Department of Agriculture or other Government agency having jurisdiction in the particular case. No narcotic drug

as defined in the act of May 26, 1922, known as the "Narcotic Drugs Import and Export Act", as amended, shall be permitted to be introduced into a zone, except that such quantities of narcotic drugs as are required for direct emergency medical needs within a zone, may be admitted into said zone from customs territory of the United States subject to the requirements of the act of December 17, 1914, known as the "Harrison Narcotic Law," as amended, and regulations thereunder. Any prohibited merchandise, including narcotic drugs not admissible into a zone as herein provided, found within a zone, shall be seized and disposed of according to law. Merchandise in a zone may be examined by appropriate officers at any time to enforce the provisions of this paragraph.

803. Exclusion from zone of goods or process of treatment.—When it shall be reported to the Board that any goods or process of treatment is detrimental to the public interest, health, or safety, the Board shall cause such investigation to be made as it may deem necessary. The Board may order the exclusion from the zone of any goods or process of treatment that in its judgment is detrimental to the public interest, health, or safety.

804. Retail trade within zone.—No retail trade shall be conducted within a zone except under permits issued by the grantee and approved by the Board. Such permittees shall sell no goods except such domestic or duty-paid or duty-free goods as are brought into the zone from customs territory. Permits which are sent to the Board for approval shall be accompanied by a sworn statement, subscribed to by the applicant before a duly authorized officer to administer oaths, setting forth in detail the nature of the retail trade to be conducted, and containing an agreement that such applicant will sell no goods, except of the kinds specifically authorized by the act, which are brought into the zone from customs territory. No goods shall be offered for sale or sold in a zone which are not of the same kind and quality permitted to be offered for sale or sold in the political jurisdiction in which the zone is located. If the permittee violates any provision of these regulations, his permit shall be revoked by the grantee, who shall immediately report such action to the Board.

805. Vessels entering and leaving zone.—Vessels entering and leaving a zone shall be subject to the operation of the laws of the United States, and vessels leaving a zone and entering customs territory shall be subject to appropriate regulations to protect the revenue. Vessels under foreign flags are not permitted to carry merchandise shipped from one zone to another zone or port in the protected coastwise trade of the United States.

806. Residence within zone.—No person shall be allowed to reside within a zone except Federal, State, or municipal officers or agents whose resident presence is deemed necessary by the Board.

807. Employees and persons entering and leaving zone.—Employees and other persons entering or leaving a zone shall pass through the designated entrances and exits in the enclosure surrounding the zone, except that ships' crews and passengers, duly authorized pilots and helmsmen, and employees of the Federal Government may enter or leave aboard vessels arriving at or departing from the zone; and except that crews of service vessels, such as ship chandlers' boats, tug boats, water boats, fuel barges, cargo lighters, and barges, and crews

of floating equipment for use in connection with vessel repairs or maintenance, or for maintenance of structures of the zone or its channels or slips, may enter or leave a zone by way of prescribed water routes or courses. Employees and other persons shall be subject to such examination upon entering and leaving a zone as the collector may deem necessary for the protection of the revenue.

808. All persons entering zone bound by regulations.—All persons entering a zone for any reason whatsoever shall be bound by the regulations promulgated by the Board and by the operator of the zone.

809. Identification of employees within zone.—All persons on duty within, and in connection with the operation of, a zone, with the exception of Federal employees and uniformed employees of the zone shall be required while within the zone to carry identification cards or wear appropriate identification badges to be provided by the operator of the zone.

810. Hours of business and service.—Hours of business and service, for customs purposes, shall be the same as those prescribed in articles 1445 and 1446 of the Customs Regulations of 1931.

811. Payment of customs officers and employees.—

(*a*) The cost of maintaining the customs service in the zone shall be paid monthly by the operator of such zone to the collector of customs.

(*b*) Customs officers and employees performing services in a zone at night, or on Sundays and holidays, shall receive extra compensation, to be computed as and under the conditions prescribed by articles 1228 to 1232 of the Customs Regulations of 1931.

(*c*) For the purpose of computing extra compensation the word "night" shall be construed to mean the time from 5 p. m. to 8 a. m. and the word "holiday" shall include only national holidays, viz, January 1, February 22, May 30, July 4, the first Monday in September, Thanksgiving Day (when designated by the President), and December 25, and such other days as may be made national holidays.

(*d*) In a zone at a port where customary working hours are other than those herein mentioned, the collector of customs is authorized to regulate the hours of customs officers and employees assigned to the zone so as to agree with prevailing working hours in said port, but nothing herein shall be construed in any manner to affect or alter the length of a working day for customs officers or employees, or the overtime pay.

812. Erection of buildings within zone by persons other than grantee.—The grantee may, with the approval of the Board, and under reasonable and uniform regulations for like conditions and circumstances to be prescribed by it, permit other persons, firms, corporations, or associations to erect such buildings and other structures within the zone as will meet their particular requirements: *Provided*, (1) That such permission shall not constitute a vested right as against the United States, nor interfere with the regulation of the grantee or the permittee by the United States, nor interfere with or complicate the revocation of the grant by the United States; (2) that in the event of the United States or the grantee desiring to acquire the property of the permittee, no good will shall be considered as accruing from the privilege granted to the zone; and (3) that such permits shall not be granted on terms that conflict with the public use of the zone as set

forth in the act: *And provided further*, That accepted sanitary practices be followed in the construction, equipment, and operation of such buildings and other structures.

Article IX.—MAINTENANCE OF ZONE

900. Structures and facilities to be maintained in good order.—The grantee shall at all times maintain the structures and other facilities within the zone in good condition and so as not to endanger the life and health of employees of the United States and others who may be required to enter the zone.

901. Penalty for failure to make repairs or alterations.—Should the grantee fail to make such repairs or alterations as may be ordered by the Board, action will be taken as provided in article XII of these regulations.

Article X.—ADMINISTRATION OF ZONE

1000. Regulations promulgated by grantee.—The grantee shall, before beginning operation of a zone, submit to the Board for approval its own rules, regulations, and practices for the operation of the zone.

1001. Posting of regulations within zone.—There shall be posted in a conspicuous place within the zone copies of the regulations issued by the Board and the approved regulations of the grantee, or of such extracts from either or both of such regulations as the Board may designate.

1002. Grantee's reports to Board.—Each grantee shall make to the Board annually, and at such other times as the Board may prescribe, reports containing a full statement of the operations, receipts, expenditures, and such other information as the Board may require. After the establishment of a zone, the Board will prescribe the form and manner of keeping the accounts.

1003. Zones to be operated as public utilities.—(*a*) All rates and charges for all services or privileges within the zone shall be fair and reasonable, and the grantee shall afford to all who may apply for the use of the zone and its facilities and appurtenances uniform treatment under like conditions, subject to such treaties or commercial conventions as are now in force or may hereafter be made from time to time by the United States with foreign governments.

(*b*) Schedules containing all the rates and charges shall be published, posted, and filed with, and subject to the approval of the Board. Full instructions concerning the publication, posting, and filing of such schedules will be issued by the Board. One copy of each tariff required to be filed with any State regulatory body shall also be filed with the Board.

(*c*) Where applicable, the operator of the zone will remain subject to the requirements of the Shipping Act, 1916, as amended, and to the provisions of the Interstate Commerce Act.

1004. Inspection of zones.—Representatives of the Board will inspect, from time to time, the operations of the zones for the purpose of informing the Board whether the provisions of the act and these regulations are being met. The operators of the zones shall comply fully with the requirements of such representatives, and make available to them such records and reports as the representatives may find necessary for a proper and thorough inspection of zone activities.

1005. Separability of regulations in event of invalidity.—If any provision of these regulations, or the application thereof to any person or circumstances, be held invalid, the remainder of these regulations and their application to other persons or circumstances shall not be affected thereby.

1006. Changes in regulations.—Regulations issued pursuant to the provisions of the act may, without notice, be amended, supplemented, suspended or revoked, from time to time, as may be deemed necessary. Regulations shall not be construed as conferring privileges or interest which may not be adversely affected by subsequent regulations or by any changes whatsoever in existing regulations.

Article XI.—USE OF GOVERNMENT PROPERTY

1100. Use of Government property.—If the title to or right of user of any of the property to be included in a zone is in the United States, an agreement to use such property for zone purposes may be entered into between the grantee and the department or officer of the United States having control of the same, under such conditions, approved by the Board and such department or officer as may be agreed upon.

Article XII.—VIOLATIONS OF PROVISIONS OF ACT OR REGULATIONS

1200. Fine imposed for violation of act or regulations.—In case of a violation of the act or of any regulation under the act by the grantee, any officer, agent, or employee thereof responsible for or permitting any such violation shall be subject to a fine of not more than $1,000. Each day during which a violation continues shall constitute a separate offense.

1201. Revocation of grant.—In the event of repeated willful violations by the grantee of any of the provisions of the act, the Board may revoke the grant after 4 months' notice to the grantee and after affording it an opportunity to be heard. The testimony taken before the Board shall be reduced to writing and filed in the records of the Board, together with the decision reached thereon.

1202. Procedure for revocation.—In the conduct of any proceeding for the revocation of a grant the Board may compel the attendance of witnesses, the giving of testimony, and the production of documentary evidence; and for such purposes may invoke the aid of the district courts of the United States.

1203. Appeal from revocation order.—An order issued by the Board revoking the grant shall be final and conclusive, unless within 90 days after its service the grantee appeals to the circuit court of appeals for the circuit in which the zone is located by filing with the clerk of said court a written petition praying that the order of the Board be set aside. Such order shall be stayed pending the disposition of appellate proceedings by the court. The clerk of the court in which such a petition is filed shall immediately cause a copy thereof to be delivered to the Board, and it shall forthwith prepare, certify, and file in the court a full and accurate transcript of the record in the proceedings held before it, under section 18 (c) of the act, the charges, the evidence, and the order revoking the grant. The testimony and evidence taken or submitted before the Board, duly certified and filed as a part of the record, shall be considered by the court as the evidence in the case.

Article XIII.—RULES OF PROCEDURE AND PRACTICE

1300. Headquarters.—The headquarters of the Board shall be the Department of Commerce, Washington, D. C.

1301. Organization of Board.—The Board shall, at the organization meeting, designate a secretary and an assistant secretary, who may be permanent employees of the Bureau of Foreign and Domestic Commerce. The duties of the secretary of the Board shall be to arrange meetings of the Board, to keep accurate minutes of the Board's deliberations, to direct the execution of the orders of the Board, and to perform such other duties as the Board may direct. The duties of the assistant secretary shall be to assist the secretary of the Board and to act for him in his absence. All records of the Board will be maintained in the Bureau of Foreign and Domestic Commerce.

1302. Committee of alternates.—Each member of the Board shall designate an alternate to serve on a Committee of Alternates. The alternate of the chairman of the Board shall be chairman of the committee. The committee shall review and prepare all matters for presentation to the Board, shall hold such hearings and rehearings as may be directed by the chairman of the Board, and shall perform all other duties designated by the Board except such as are specifically imposed by law on the Board. The committee shall meet at the call of its chairman.

1303. Meetings of the Board.—

(*a*) Two members of the Board shall be necessary for a quorum for the transaction of business.

(*b*) Meetings of the Board will be held on call of the chairman and executive officer.

1304. Order of business.—The order of business at Board meetings shall be as follows:

(*a*) Reading of minutes of preceding meeting.
(*b*) Report of secretary of Board.
(*c*) Amendments to regulations or rules.
(*d*) Applications for grants or amendments to grants.
(*e*) Consideration of matters connected with operation, maintenance, or administration of zones.
(*f*) Miscellaneous business.
(*g*) Adjournment.

1305. Authorization for hearings.—The Board on its own motion, or on application, may authorize hearings or rehearings. Such hearings will ordinarily be held before the Committee of Alternates. The Examiners Committee is authorized to hold hearings as provided in paragraph 1309.

1306. Orders of Board.—Orders of the Board shall be made of record, numbered serially, and published from time to time for the information and guidance of all concerned.

1307. Applications.—Upon receipt of an application, the secretary of the Board will designate an examiner in the Bureau of Foreign and Domestic Commerce who will investigate it for compliance with the provisions of article VI of these regulations.

1308. Examiners Committee.—If the application is in order, the Secretary of the Board will appoint an Examiners Committee and

designate a chairman thereof; this committee will consist of the examiner in the Bureau of Foreign and Domestic Commerce who has examined the application as provided in paragraph 1307, the collector, and the district engineer in whose districts the proposed zone is to be located. The committee will then make a thorough investigation of the application and report its findings to the Board.

1309. Hearings before Examiners Committee.—In conducting its investigation the Examiners Committee is authorized to hold hearings and take evidence as provided in paragraphs 1316 to 1321, inclusive, of these regulations.

1310. Submission of further evidence.—Should the report of the Examiners Committee be unfavorable, notice will be sent to the applicant, who will be permitted to apply for permission of the Board to present further evidence in support of his application either orally, in writing, or both.

1311. Rehearing on application.—Should the request of the applicant to submit further evidence be granted, the applicant will be notified and, if a hearing is desired, a date fixed therefor before the Committee of Alternates.

1312. Action of Board on application.—After the Board's consideration of the application is completed, unless further information is required by the Board, the grant will be made or denied.

1313. Payment for inspection.—The Board shall specify, and applicants and grantees shall pay, the cost of inspection of construction. Prior to the issuance of a grant, the applicant shall deposit promptly with the district engineer a certified check in an amount specified as prescribed above, covering such cost. Certified checks in amounts specified by the Board will also be required to be deposited promptly by grantees with the district engineer covering costs of subsequent inspections of major alterations. In the event the amount originally specified is insufficient to pay for the cost of inspection, the Board shall specify the additional amount or amounts required, which shall be paid promptly by the applicant or grantee, as the case may be. Such funds shall be carried in a special deposit account by the district engineer in accordance with existing law and regulations. If certified checks, which have been deposited, are in amounts in excess of the cost of supervision of construction, the district engineer shall refund such excess.

1314. Construction of zone.—Construction will be under the supervision of the Secretary of War and Chief of Engineers; such supervision shall be exercised by the district engineer who shall enforce compliance with the terms of the grant.

1315. Operation, maintenance, and administration.—The collector shall be in local charge of the operation, maintenance, and administration of the zone for the Board. He may call upon the district engineer and local representatives of other governmental departments and establishments for advice on matters of operation, maintenance, and administration.

1316. Evidence.—In its discretion, and upon its own motion or upon the motion of any interested party, the Board may give an opportunity to, or require, any party to any proceedings before the Board to present documentary or other written or oral evidence bearing upon any application, declaration, protest, petition, or complaint

made to the Board. The Board may order that hearings be held for the purpose of taking testimony or receiving records not under the control of a party to proceedings before the Board, or for the purpose of taking testimony or producing records in connection with the establishment, operation, or maintenance of a zone, or with the conduct of any investigations appropriate to the administration of the act.

1317. Object of hearing.—The object of such hearing is to inform interested parties concerning the matter at issue and to give them an opportunity to express their views frankly, fully, and publicly relative thereto.

1318. Notice of hearing.—When the Board or Examiners Committee of the Board deems it advisable to hold a local hearing, notice of such hearing should be sent to all interested parties in time for them to be present in person or to be represented at the hearing, and a copy of the notice should be furnished local newspapers. The notice should state the subject to be considered and when and where the hearing will be held, specifically designating the date, hour, and place. For the accuracy of the record, all important facts and arguments should be submitted in writing. As soon as the date and place for a hearing have been designated, the official or Examiners' Committee should immediately advise the Board direct so that it may have available full information on the proceedings.

1319. Procedure at hearing.—The following general procedure will govern the conduct of hearings:

(*a*) Minutes of the proceedings will be made, and when deemed advisable, will be taken stenographically.

(*b*) A complete copy of the notice and a record of the names and addresses of all parties on whom served and the manner of service (whether by mail, telegraph, telephone, etc.), should be retained and made a part of the record.

(*c*) The presiding officer will impress upon all interested parties and will also specifically state at the commencement of the proceedings: *first*, the special purpose of the hearing; *second*, that it is desired to have a frank and full expression of the views of all interested parties and as complete a statement as possible of all information bearing upon the question at issue; *third*, that the Board will give full weight to all evidence and arguments presented at the hearing, and that all pertinent material which the parties wish considered should be brought out at the hearing; *fourth*, that later ex parte evidence and arguments are not desired by the Board unless it is clearly shown that the matter is new and material and that there are good reasons why it could not be presented at the hearing.

(*d*) The presiding officer should read aloud such parts of the act and of the rules and regulations adopted by the Board as bear on the matter at hand. He should also read such other important papers bearing on the case, or extracts therefrom, as may be necessary for a full understanding of the status of the case and the data before the Board.

(*e*) The names and addresses of all parties of interest present or represented at the hearing will be recorded.

(*f*) The presiding officer will then invite and conduct a thorough and candid discussion of the case in all its bearings.

1320. Adjournment of hearing.—If it is alleged by any person that more evidence exists which could not be properly prepared in time for the hearing, the presiding officer will, at his discretion, either adjourn the hearing for a reasonable period, or may delay transmitting his report until after the receipt of such evidence and the expiration of a reasonable period for its examination by other interested persons. In such cases, definite statements as to the amount of time desired should be required. If no further hearing is held, it should be required that any additional evidence be submitted in typewritten or printed form, and the party submitting it should be required to serve a copy thereof on such other parties in interest as appeared at the hearing and to furnish proof of such service for the record.

1321. Record of proceedings.—The record of the proceedings should be made in quadruplicate, 3 copies for the Board and 1 for the office of the presiding officer. The record should be accompanied by a copy of the notice and list of those present, or briefs or exhibits submitted in the case, and the recommendations of the officer or committee conducting the hearing on the points raised at the hearing. All of the above papers should be properly marked for reference and when possible bound together and submitted as a single exhibit.

1322. Additional rules of practice.—Additional rules of procedure and practice in formal proceedings under the act, and of procedure in formal and informal proceedings, in elaboration or extension of those set forth herein, may be issued from time to time.

DANIEL C. ROPER,
Secretary of Commerce, Chairman of the Board.
HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.
GEORGE H. DERN,
Secretary of War.

JUNE 29, 1935.

Part II. REGULATIONS GOVERNING CUSTOMS PROCEDURE IN FOREIGN-TRADE ZONES IN THE UNITED STATES

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, D. C.

Public No. 397, of the Seventy-third Congress, approved June 18, 1934, relating to foreign-trade zones, is as follows:

[PUBLIC—No. 397—73D CONG.]

[H. R. 9322]

AN ACT

To provide for the establishment, operation, and maintenance of foreign-trade zones in ports of entry of the United States, to expedite and encourage foreign commerce, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That when used in this act—

(a) The term "Secretary" means the Secretary of Commerce;

(b) The term "Board" means the Board which is hereby established to carry out the provisions of this act. The Board shall consist of the Secretary of Commerce, who shall be chairman and executive officer of the Board, the Secretary of the Treasury, and the Secretary of War;

(c) The term "State" includes any State, the District of Columbia, Alaska, Hawaii, and Puerto Rico;

(d) The term "corporation" means a public corporation and a private corporation, as defined in this act;

(e) The term "public corporation" means a State, political subdivision thereof, a municipality, a public agency of a State, political subdivision thereof, or municipality, or a corporate municipal instrumentality of one or more States;

(f) The term "private corporation" means any corporation (other than a public corporation) which is organized for the purpose of establishing, operating, and maintaining a foreign-trade zone and which is chartered under special act enacted after the date of enactment of this act of the State or States within which it is to operate such zone;

(g) The term "applicant" means a corporation applying for the right to establish, operate, and maintain a foreign-trade zone;

(h) The term "grantee" means a corporation to which the privilege of establishing, operating, and maintaining a foreign-trade zone has been granted;

(i) The term "zone" means a "foreign-trade zone" as provided in this act.

SEC. 2. (a) The Board is hereby authorized, subject to the conditions and restrictions of this act and of the rules and regulations made thereunder, upon application as hereinafter provided, to grant to corporations the privilege of establishing, operating, and maintaining foreign-trade zones in or adjacent to ports of entry under the jurisdiction of the United States.

(b) Each port of entry shall be entitled to at least one zone, but when a port of entry is located within the confines of more than one State such port of entry shall be entitled to a zone in each of such States, and when two cities separated by water are embraced in one port of entry, a zone may be authorized in each of said cities or in territory adjacent thereto. Zones in addition to those to which a port of entry is entitled shall be authorized only if the Board finds that existing or authorized zones will not adequately serve the convenience of commerce.

(c) In granting applications preference shall be given to public corporations.

(d) In case of any State in which harbor facilities of any port of entry are owned and controlled by the State and in which State harbor facilities of any other port of entry are owned and controlled by a municipality the Board shall not grant an application by any public corporation for the establishment of any zone in such State, unless such application has been authorized by an act of the legislature of such State (enacted after the date of enactment of this act).

SEC. 3. Foreign and domestic merchandise of every description, except such as is prohibited by law, may, without being subject to the customs laws of the United States, except as otherwise provided in this act, be brought into a zone and may not be manufactured or exhibited in such zone but may be stored, broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed with foreign or domestic merchandise, or otherwise manipulated, and be exported, and foreign merchandise may be sent into customs territory of the United States therefrom, in the original package or otherwise; but when foreign merchandise is so sent from a zone into customs territory of the United States it shall be subject to the laws and regulations of the United States affecting imported merchandise: *Provided*, That when the privilege shall be requested the collector of customs shall supervise the unlading of foreign merchandise in the zone, cause such merchandise or any portion thereof to be appraised and the duties liquidated thereon. Thereafter it may be stored or manipulated under the supervision and regulations prescribed by the Secretary of the Treasury, and within two years after such unlading such merchandise, whether mixed with domestic merchandise or not, may be sent into customs territory upon the payment of such liquidated duties thereon; and if not so sent into customs territory within such period of two years such merchandise shall be disposed of under rules and regulations prescribed by the Secretary of the Treasury and out of the proceeds the duties shall be paid and the remainder, if any, shall be delivered to the owners of the property: *Provided further*, That subject to such regulations respecting identity and the safeguarding of the revenue as the Secretary of the Treasury may deem necessary, articles, the growth, product, or manufacture of the United States, and articles previously imported on which duty has been paid, or which have been admitted free of duty, may be taken into a zone from the customs territory of the United States, and may be brought back thereto free of duty, whether or not they have been combined with or made part while in such zone, of other articles: *Provided*, That if in the opinion of the Secretary of the Treasury their identity has not been lost such articles not entitled to free entry by reason of noncompliance with the requirements made hereunder by the Secretary of the Treasury shall be treated when they reenter the customs territory of the United States as foreign merchandise under the provisions of the tariff laws in force at that time.

SEC. 4. The Secretary of the Treasury shall assign to the zone the necessary customs officers and guards to protect the revenue and to provide for the admission of foreign merchandise into customs territory.

SEC. 5. Vessels entering or leaving a zone shall be subject to the operation of all the laws of the United States, except as otherwise provided in this act, and vessels leaving a zone and arriving in customs territory of the United States shall be subject to such regulations to protect the revenue as may be prescribed by the Secretary of the Treasury. Nothing in this act shall be construed in any manner so as to permit vessels under foreign flags to carry goods or merchandise shipped from one foreign trade zone to another zone or port in the protected coastwise trade of the United States.

SEC. 6. (a) Each application shall state in detail—

(1) The location and qualifications of the area in which it is proposed to establish a zone, showing (A) the land and water or land or water area or land area alone if the application is for its establishment in or adjacent to an interior port; (B) the means of segregation from customs territory; (C) the fitness of the area for a zone; and (D) the possibilities of expansion of the zone area;

(2) The facilities and appurtenances which it is proposed to provide and the preliminary plans and estimate of the cost thereof, and the existing facilities and appurtenances which it is proposed to utilize;

(3) The time within which the applicant proposes to commence and complete the construction of the zone and facilities and appurtenances;

(4) The methods proposed to finance the undertaking;
(5) Such other information as the Board may require.

(b) The Board may upon its own initiative or upon request permit the amendment of the application. Any expansion of the area of an established zone shall be made and approved in the same manner as an original application.

SEC. 7. If the Board finds that the proposed plans and location are suitable for the accomplishment of the purpose of a foreign-trade zone under this act, and that the facilities and appurtenances which it is proposed to provide are sufficient it shall make the grant.

SEC. 8. The Board shall prescribe such rules and regulations not inconsistent with the provisions of this act, or the rules and regulations of the Secretary of the Treasury made hereunder and as may be necessary to carry out this act.

SEC. 9. The Board shall cooperate with the State, subdivision, and municipality in which the zone is located in the exercise of their police, sanitary, and other powers in and in connection with the free zone. It shall also cooperate with the United States Customs Service, the Post Office Department, the Public Health Service, the Bureau of Immigration, and such other Federal agencies as have jurisdiction in ports of entry described in section 2.

SEC. 10. For the purpose of facilitating the investigations of the Board and its work in the granting of the privilege, in the establishment, operation, and maintenance of a zone, the President may direct the executive departments and other establishments of the Government to cooperate with the Board, and for such purpose each of the several departments and establishments is authorized, upon direction of the President, to furnish to the Board such records, papers, and information in their possession as may be required by him, and temporarily to detail to the service of the Board such officers, experts, or engineers as may be necessary.

SEC. 11. If the title to or right of user of any of the property to be included in a zone is in the United States, an agreement to use such property for zone purposes may be entered into between the grantee and the department or officer of the United States having control of the same, under such conditions, apppproved by the Board and such department or officer, as may be agreed upon.

SEC. 12. Each grantee shall provide and maintain in connection with the zone—

(a) Adequate slips, docks, wharves, warehouses, loading and unloading and mooring facilities where the zone is adjacent to water; or, in the case of an inland zone, adequate loading, unloading, and warehouse facilities;

(b) Adequate transportation connections with the surrounding territory and with all parts of the United States, so arranged as to permit of proper guarding and inspection for the protection of the revenue;

(c) Adequate facilities for coal or other fuel and for light and power;

(d) Adequate water and sewer mains;

(e) Adequate quarters and facilities for the officers and employees of the United States, State, and municipality whose duties may require their presence within the zone;

(f) Adequate enclosures to segregate the zone from customs territory for protection of the revenue, together with suitable provisions for ingress and egress of persons, conveyances, vessels, and merchandise;

(g) Such other facilities as may be required by the Board.

SEC. 13. The grantee may, with the approval of the Board, and under reasonable and uniform regulations for like conditions and circumstances to be prescribed by it, permit other persons, firms, corporations, or associations to erect such buildings and other structures within the zone as will meet their particular requirements: *Provided*, That such permission shall not constitute a vested right as against the United States, nor interfere with the regulation of the grantee or the permittee by the United States, nor interfere with or complicate the revocation of the grant by the United States; *And provided furher*, That in the event of the United States or the grantee desiring to acquire the property of the permittee no good will shall be considered as accruing from the privilege granted to the zone: *And provided further*, That such permits shall not be granted on terms that conflict with the public use of the zone as set forth in this act.

SEC. 14. Each zone shall be operated as a public utility, and all rates and charges for all services or privileges within the zone shall be fair and reasonable, and the grantee shall afford to all who may apply for the use of the zone and its facilities and appurtenances uniform treatment under like conditions, subject to such treaties or commercial conventions as are now in force or may hereafter be made from time to time by the United States with foreign governments and the cost of maintaining the additional Customs Service required under this act shall be paid by the operator of the zone.

SEC. 15. (a) No person shall be allowed to reside within the zone except Federal, State, or municipal officers or agents whose resident presence is deemed necessary by the Board.

(b) The Board shall prescribe rules and regulations regarding employees and other persons entering and leaving the zone. All rules and regulations concerning the protection of the revenue shall be approved by the Secretary of the Treasury.

(c) The Board may at any time order the exclusion from the zone of any goods or process of treatment that in its judgment is detrimental to the public interest, health, or safety.

(d) No retail trade shall be conducted within the zone except under permits issued by the grantee and approved by the Board. Such permittees shall sell no goods except such domestic or duty-paid or duty-free goods as are brought into the zone from customs territory.

SEC. 16. (a) The form and manner of keeping the accounts of each zone shall be prescribed by the Board.

(b) Each grantee shall make to the Board annually, and at such other times as it may prescribe, reports containing a full statement of all the operations, receipts, and expenditures, and such other information as the Board may require.

(c) The Board shall make a report to Congress on the first day of each regular session, containing a summary of the operation and fiscal condition of each zone and transmit therewith copies of the annual report of each grantee.

SEC. 17. The grant shall not be sold, conveyed, transferred, set over, or assigned.

SEC. 18. (a) In the event of repeated willful violations of any of the provisions of this act by the grantee, the Board may revoke the grant after four months' notice to the grantee and affording it an opportunity to be heard. The testimony taken before the Board shall be reduced to writing and filed in the records of the Board, together with the decision reached thereon.

(b) In the conduct of any proceeding under this section for the revocation of a grant the Board may compel the attendance of witnesses and the giving of testimony and the production of documentary evidence, and for such purpose may invoke the aid of the district courts of the United States.

(c) An order under the provisions of this section revoking the grant issued by the Board shall be final and conclusive, unless within ninety days after its service the grantee appeals to the circuit court of appeals for the circuit in which the zone is located by filing with the clerk of said court a written petition praying that the order of the Board be set aside. Such order shall be stayed pending the disposition of appellate proceedings by the court. The clerk of the court in which such a petition is filed shall immediately cause a copy thereof to be delivered to the Board, and it shall forthwith prepare, certify, and file in the court a full and accurate transcript of the record in the proceedings held before it under this section, the charges, the evidence, and the order revoking the grant. The testimony and evidence taken or submitted before the Board, duly certified and filed as a part of the record, shall be considered by the court as the evidence in the case.

SEC. 19. In case of a violation of this act, or any regulation under this act, by the grantee, any officer, agent, or employee thereof responsible for or permitting any such violation shall be subject to a fine of not more than $1,000. Each day during which a violation continues shall constitute a separate offense.

SEC. 20. If any provision of this act or the application of such provision to certain circumstances be held invalid, the remainder of the act and the application of such provisions to circumstances other than those as to which it is held invalid shall not be affected thereby.

SEC. 21. The right to alter, amend, or repeal this act is hereby reserved.

Approved, June 18, 1934.

* * * * * * *

Pursuant to the provisions of sections 3, 4, 5, and 14 of this act, the following regulations are hereby promulgated:

Article 1. Definitions.—When used in these regulations.

(*a*) The term "act" means Public No. 397, of the Seventy-third Congress, quoted above.

(*b*) The terms "foreign articles" and "foreign merchandise" mean articles of merchandise of every description (except prohibited articles), brought into a zone otherwise than from customs territory.

(*c*) The term "domestic merchandise" means articles of merchandise of every description (except prohibited articles), which are the growth, product, or manufacture of the United States, or which have previously been imported into customs territory and upon which all duties and customs charges or penalties have been paid.

(*d*) The term "customs territory" shall mean territory of the United States not included in a zone.

(*e*) The term "United States" includes the several States, the District of Columbia, Alaska, Hawaii, and Puerto Rico.

(*f*) The term "zone" means a foreign-trade zone provided for in the act.

(*g*) The terms "collector" and "collector of customs", unless otherwise specified, mean the collector of customs in whose district the zone is located.

(*h*) The term "privileged merchandise" means foreign merchandise in a zone for which immediate liquidation of duties has been requested and/or domestic merchandise in a zone for which an application for customs supervision in the zone has been made.

(*i*) The term "nonprivileged merchandise" means all merchandise properly in a zone, other than privileged merchandise.

(*j*) The term "person of record" means the person who has filed the application for immediate liquidation (art. 4 (b)), or the application for customs supervision of entry (art. 5 (b)), or a transferee of the customs rights of any such person under any such application, as shown by endorsement on the application.

Art. 2. Vessels entering and leaving a zone.—All laws of the United States shall apply to vessels entering and leaving a zone, in the same manner as to vessels entering and leaving a port in customs territory. Customs laws of the United States relating to the unlading of merchandise from vessels shall not apply in the case of merchandise not subject to the provisions of articles 4 (b) or 5 (b) of these regulations.

Art. 3. Vessels arriving in customs territory from a zone.—(*a*) A vessel arriving in customs territory from a zone shall be subject to the laws and regulations of the United States applicable to vessels in the class of trade in which such vessel is engaged.

(*b*) Merchandise from a zone may be transported by vessel to customs territory only in bond as provided for in chapter XVI of the Customs Regulations of 1931, except that domestic merchandise exempt from duty and entry requirements in accordance with article 9 (*d*) of these regulations may be laden on a vessel under customs supervision, after proper identification, and may thereafter be transported to customs territory in the same manner and under the same conditions as domestic merchandise transported from one port in customs territory to another such port.

(*c*) Nothing in these regulations shall be construed in any manner so as to permit vessels under foreign flags to carry merchandise shipped from one zone to another zone or port in the protected coastwise trade of the United States.

Art. 4. Bringing foreign merchandise into a zone.—(*a*) Foreign merchandise may be brought into a zone and there stored and/or manipulated as authorized in the act without compliance with the customs laws and regulations relating to the entry of merchandise into customs territory.

(*b*) If the immediate liquidation of duties on foreign merchandise to be brought into a zone is desired, an application therefor shall be filed with the collector of customs. Such application shall be filed in duplicate on a form substantially similar to customs form 3499, before the unlading of the vessel or other carrier, and shall be made by the consignee within the meaning of section 483 of the Tariff Act of 1930. The application shall specify in detail the merchandise for which the privilege of immediate liquidation of duties is desired, the carrier and date of arrival at the zone, and the place in the zone where the merchandise will be stored and/or manipulated. Upon the receipt of such application the collector of customs shall provide for the supervision of the unlading of the designated merchandise, and for the maintenance of customs supervision thereof until it is entered into customs territory or abandoned to the Government.

Art. 5. Bringing domestic merchandise into a zone.—(*a*) When domestic merchandise which is not intended to be returned to customs territory is brought into a zone, its admission into and retention in the zone shall not be subject to any customs requirements, except such as may be necessary for the purposes of the drawback laws and the general administration of the act and these regulations. Upon the shipment of such merchandise from a zone otherwise than to customs territory or to another zone, export declarations shall be filed in accordance with articles 1292 to 1307, inclusive, of the Customs Regulations of 1931.

(*b*) When domestic merchandise which is intended to be returned to customs territory with a claim for exemption from duty is to be brought into a zone, the person concerned shall file with the collector of customs an application for customs supervision of the entry of the merchandise into the zone. Such application shall be in duplicate on a form substantially similar to customs form 3499. It shall describe the merchandise in detail and specify the time at which the merchandise will arrive in the zone and the place in the zone where it will be stored and/or manipulated. Upon the receipt of such application, the collector of customs shall provide for the supervision of the receipt of the merchandise in the zone and for the maintenance of customs identification thereof until it is returned to customs territory or exported.

Art. 6. Immediate liquidation.—(*a*) When an application for immediate liquidation has been made, as provided for in article 4 (*b*), the person of record shall file with the collector of customs an entry in triplicate on a form substantially in accordance with customs form 7502. Such entry shall be filed within 48 hours, exclusive of Sundays and holidays, after the unlading of the merchandise in the zone, unless the collector authorizes in writing a longer time.

(*b*) The procedure to be followed in connection with the preparation and filing of the entry, the making of notations on invoices, the preparation of customs form 6417, the designation of examination packages or quantities, and the appraisement of the merchandise shall be the same as that prescribed in the Customs Regulations of 1931 in the case of consumption entries, except that no duties need be deposited.

(*c*) The consignee filing an application for an immediate liquidation of the entry of privileged merchandise shall file a bond in the form herein set forth in an amount equal to double the estimated duties. Both principal and sureties shall continue liable under the bond until the liquidated duties are paid.

The bond shall be in the following form:

KNOW ALL MEN BY THESE PRESENTS:

That _____ of _____ as principal and _____ of _____ and _____ of _____ as sureties, are held and firmly bound unto the UNITED STATES OF AMERICA in the sum of _____ dollars ($_____), for the payment of which we bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents.

WHEREAS certain articles described in entry no. _____ dated _____, 19__, have been brought into the foreign-trade zone located at _____, from _____ in the _____, arrived _____, 19__; and

WHEREAS an application has been made by the principal herein for the appraisal of the merchandise described in the entry, and the liquidation of the duties thereon;

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, That—

If the above-bounden principal shall, within 2 years after the merchandise first arrived in a foreign-trade zone, pay the full amount of liquidated duties found due on the said articles, whether such articles shall have been wholly consumed or destroyed in the zone, exported, sent into customs territory, or otherwise disposed of, then this obligation shall be void; otherwise it shall remain in full force and effect.

Signed, sealed, and delivered in the presence of—

_____ (Name)	_____ (Address)		
_____ (Name)	_____ (Address)	_____ (Principal)	[SEAL]
_____ (Name)	_____ (Address)		
_____ (Name)	_____ (Address)	_____ (Surety)	[SEAL]
_____ (Name)	_____ (Address)		
_____ (Name)	_____ (Address)	_____ (Surety)	[SEAL]

(*d*) The merchandise covered by an application for immediate liquidation shall be transferred under customs supervision from the place of unlading to the place of delivery designated in the application, or to the place of appraisement and therefrom to the designated place of delivery, as the case may be. Upon the arrival of the merchandise at the place of delivery, a record thereof shall be made by a customs storekeeper on a form substantially similar to customs form 5215. Such merchandise shall not be manipulated or removed from such place of delivery until the liquidation requested has been completed.

(*e*) The grantee operating a zone shall provide therein a suitable place for the customs examination and appraisement of merchandise. Merchandise covered by an application for immediate liquidation shall be promptly appraised on an order from the collector of customs. The examination of merchandise for the purposes of such appraisement shall be, insofar as may be practicable, at the place provided therefor in the zone, but in any case where he may deem it advisable, the collector may direct that the examination be made at any other suitable place, within or without the zone, approved by the appraiser.

(*f*) As soon as an entry has been completed by the filing of all necessary documents and the appropriate reports have been made to the collector, the entry shall be liquidated in accordance with the provisions of chapter XIV of the Customs Regulations of 1931, insofar as they can be applied. Customs officers shall give priority to the disposition of all matters which will expedite the liquidation of these entries.

(*g*) The tariff status of merchandise covered by an application for immediate liquidation shall be determined in accordance with the condition and quantity of the merchandise and the rates of duty in force at the time such merchandise arrives within the limits of the zone in which it is to be first stored and/or manipulated.

(*h*) No allowance or abatement of duties shall be made by reason of the exportation of merchandise covered by an application for immediate liquidation. If the liquidated duties applicable to such merchandise have not been paid within 2 years after it first arrives in the zone, the collector shall proceed to collect such duties under the conditions of the bond provided for in article 6 (*c*).

Art. 7. Customs supervision of entry of domestic merchandise.—(*a*) The original copy of the application mentioned in article 5 (*b*) shall be used in lieu of an entry, to cover the merchandise for which customs supervision of entry has been requested, and shall be supported by a completely detailed inventory of the merchandise, showing the marks and numbers of the packages, the weight, gage, measures, or quantity of merchandise in each package, and such descriptions as will enable customs officers readily to identify the goods.

(*b*) The merchandise covered by the application shall be transferred under customs supervision, immediately upon its arrival in the zone, to the place of delivery designated in the application, or to such other place for examination as may be designated by the collector and therefrom to the designated place of delivery, as the case may be. The merchandise shall be promptly examined to identify it with the application and inventory, and the examining officer shall endorse on the inventory the result of his examination and such notations as may be of assistance in the future identification of the goods. The collector may, in his discretion, require that the

goods in their condition at the time of entry into the zone be appropriately marked for identification.

Art. 8. Customs control of merchandise in a zone.—(*a*) Merchandise which is prohibited by law shall not be admitted into a zone. The admission into a zone of merchandise, the importation of which into the United States is restricted but not absolutely prohibited, such as certain special classes of merchandise as set forth in chapter X, Customs Regulations of 1931, shall be under such provisions as may be prescribed by the Department of Agriculture or other Government agency having jurisdiction in the particular case. No narcotic drug as defined in the act of May 26, 1922, known as the "Narcotic Drugs Import and Export Act, as amended", shall be permitted to be introduced into a zone, except that such quantities of narcotic drugs as are required for direct emergency medical needs within a zone may be admitted into said zone from customs territory of the United States subject to the requirements of the act of December 17, 1914, known as the "Harrison Narcotic Law, as amended", and regulations thereunder. Any prohibited merchandise, including narcotic drugs not admissible into a zone as herein provided, found within a zone shall be seized and disposed of according to law.

(*b*) Any merchandise properly in a zone may there be stored, broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed with foreign or domestic merchandise, or otherwise manipulated, but may not be there exhibited or manufactured. Customs officers on duty in a zone shall maintain general supervision of all merchandise brought into a zone in order to enforce the provisions of the act and these regulations, and shall report any violations or irregularities to the collector of customs.

(*c*) Before any merchandise brought into a zone may be manipulated as authorized in the act, permission for such manipulation shall be obtained from the collector of customs. The application for such permission shall be filed with the collector in duplicate on a form substantially similar to customs form 3499, and shall describe in detail the work to be done. If satisfied that the contemplated manipulation is authorized in section 3 of the act, the collector shall endorse, on both copies of the application, a permit for the manipulation. In the case of privileged merchandise or of nonprivileged merchandise to be mixed or combined with privileged merchandise, the collector shall deliver the duplicate copy of the application to the customs officer, who will supervise the manipulation. In other cases the collector shall return the duplicate copy to the applicant, who shall retain such copy for examination by customs officers at the place where the merchandise is to be manipulated. Should the collector be in doubt as to whether or not the contemplated manipulation is authorized in the act, he shall refer the application to the Commissioner of Customs for a decision and await instructions. In the event the applicant is dissatisfied with the decision of the Commissioner of Customs, appeal may be made to the Board established under the act.

(*d*) Privileged merchandise may be stored in a zone only in places secured by customs locks or seals, and may be withdrawn from such places or manipulated in the zone only under the immediate supervision of customs officers, and only in quantities of not less than one

entire package, or 1 ton in weight in the case of parts of bulk merchandise. If any privileged merchandise is mixed or otherwise combined in a zone with other merchandise, the whole mixture or combination shall thereafter be subject to the same requirements as to storage and customs supervision as privileged merchandise.

(1) The transfer within the zone of privileged merchandise from one place of storage or manipulation to another place of storage or manipulation may be made under customs supervision on the written request of the person of record, accompanied by the concurrence in writing of the proprietors of the delivering and receiving places of storage or manipulation. Before such transfer is made, the collector shall issue an order therefor on a form substantially similar to customs form 7500–A.

(2) In the case of any diminution in the quantity or value of privileged merchandise in a zone which does not result in any change in the number of units thereof, or their quantitative relation to each other, each unit shall be subject to its original duty or exemption from duty; and in the case of any diminution in the quantity or value of privileged merchandise in a zone resulting from any operation or circumstance which changes the number, value, or quantitative relation of the units, the total new units shall be subject to the same duty or exemption from duty as the total original units, and such duty or exemption shall be applicable to each new unit in accordance with its relation in quantity and/or value to the total quantity and/or value of the new units. If any privileged merchandise is wholly consumed or destroyed in a zone, or is removed therefrom otherwise than by transfer to customs territory or another zone, any liquidated duties due thereon shall be promptly paid, and the customs records covering the identification thereof shall be closed with an appropriate notation.

(*e*) A record shall be kept of the receipt of each lot of privileged merchandise in a zone, and of its release, transfer, and/or manipulation, on a form substantially similar to customs form 5215. Daily returns shall be made on this form by customs officers charged with the supervision of the privileged merchandise, one copy of which shall be retained at the place where the merchandise is deposited.

(1) On the debit side of this record, receipts must be shown in detail, each package and the weight or gage being specified when necessary. All records of releases and transfers shall be made on the credit side of the record and returned daily to the collector. When a release is given, an appropriate notation shall be made in such manner as to show at all times the quantity of merchandise remaining.

(2) All reports of receipts and deliveries must be certified as correct by the proprietor of the place from or to which the merchandise is removed. Such person shall be required to mark merchandise for identification in such manner and in such cases as the collector may deem necessary, and the collector may in his discretion impose upon any person concerned with the manipulation such additional requirements as may assist in maintaining the identity of the manipulated merchandise or its components.

(*f*) When permission has been granted for manipulating privileged merchandise in a zone, customs storekeepers shall keep records

of all the merchandise covered by the application and permit to manipulate, including privileged merchandise and any nonprivileged merchandise which is to be mixed or otherwise combined with the privileged merchandise in the manipulation.

(1) When the manipulation has been completed, the customs officer who supervised the operation will endorse on the duplicate copy of the application and permit the marks and numbers of the original packages, the marks and numbers of the packages after manipulation, and the weights, gages, or quantities of the merchandise before and after manipulation.

(2) Merchandise covered by only one application for immediate liquidation or for customs supervision of entry from customs territory shall be in a designated manipulation space at one time; but in cases where the collector shall be satisfied that no confusion in the records will result, and the customs revenues will at all times be properly safeguarded, exceptions may be made to this rule.

Art. 9. Entry of merchandise into customs territory from a zone.—(*a*) The general tariff laws and regulations relating to merchandise arriving at a port of entry in customs territory from a foreign port or place shall be applicable to merchandise consisting wholly of nonprivileged merchandise which is transferred from a zone into customs territory in the same manner as though the merchandise so transferred had been imported into the United States on the date of such transfer; except that no such merchandise shall be entitled to any exemption from duties, taxes, or charges by reason of its being of the growth, produce, or manufacture of the United States, or previously imported into the United States.

(*b*) When classes of merchandise subject to different requirements under these regulations have been mixed or combined in a zone, the mixed or combined merchandise may be brought into customs territory and there entered under any form of entry provided for in the general customs laws and regulations, except as provided for in paragraph (*c*) of this article.

(*c*) Merchandise brought into a zone under the provisions of article 4 (*b*) will be regarded as abandoned to the Government if remaining in a zone after 2 years from its arrival in the zone. If such merchandise is mixed or combined with other merchandise, and the mixture or combination remains in a zone after 2 years from the earliest date of arrival of any component brought into the zone under article 4 (*b*), the entire mixture or combination will be regarded as abandoned. If brought into customs territory within the 2-year period, any such merchandise and any such mixture or combination must be entered for consumption and the duties thereon paid upon its arrival at the port of destination in customs territory.

(1) When any merchandise entered under article 4 (*b*), or any mixture or combination containing such merchandise, is sent from a zone into customs territory, the collector of customs shall issue a certificate in triplicate, describing the merchandise in its present condition, and certifying the amount of duty applicable to the shipment by reason of the presence therein of privileged merchandise. The amount of duty so certified shall be carefully computed with due regard to the provisions of article 8 (*d*) (2).

(2) The duplicate copy of this certificate shall be issued to the person of record for use in connection with the consumption entry for the shipment, and the original will be transmitted promptly to the port where the consumption entry will be made for use there in verifying the entry tendered to cover the shipment and the duplicate copy of the certificate filed in connection with such entry. The triplicate copy will be retained in file with the original copy of the entry filed under the provisions of article 6 (*a*).

(d) Merchandise brought into a zone under the provisions of article 5 (*b*), which has not been mixed or combined in the zone with any merchandise brought thereinto otherwise than under article 5(*b*), may be returned to customs territory and there released from customs custody without formal entry, provided the customs identification of the goods has been maintained continuously in the zone and there has not been any noncompliance with any provision of these regulations applicable thereto. If the customs identification of such merchandise in the zone is not continuously maintained, or if there is any noncompliance with a provision of these regulations applicable to such merchandise, it shall be treated thereafter as nonprivileged merchandise.

(1) If any merchandise brought into a zone under article 5(*b*) has been mixed or combined in the zone with other merchandise, but in such manner that the identification of the domestic merchandise in the mixture or combination has been maintained continuously on the customs records in the zone, and the mixed or combined merchandise, or any part thereof, is to be brought into customs territory, the person of record may make application to the collector of customs for a certificate covering the identification of the domestic merchandise in the mixture or combination, and indicating the exemption from duty applicable to such domestic merchandise.

(2) In proper cases, the collector shall issue the requested certificate in triplicate, describing the merchandise in its present condition and certifying as to the quantity and/or value of the mixture or combination which is entitled to exemption from duty by reason of the entry of its components into the zone under article 5 (*b*). The duplicate copy of this certificate shall be issued to the person of record for use in connection with the entry for the goods, and the original will be transmitted promptly to the port where the entry will be made for use in verifying the duplicate copy filed with such entry. The triplicate copy will be retained in file with the original copy of the application referred to in article 7 (*a*).

(3) The issuance of the certificate of identification contemplated by this paragraph shall be denied in any case where the customs identification of the merchandise or its components for which the certificate is requested has not been continuously maintained since the first arrival of the merchandise or components in a zone under the provisions of article 5 (*b*), or if there has been any noncompliance with any provision of these regulations applicable to such merchandise or components. If any shipment claimed to contain merchandise or components brought into a zone under article 5 (*b*) is tendered for entry in customs territory, and no certificate of identification as contemplated by this section is filed in connection with

the entry covering such shipment, such merchandise or component shall be treated as nonprivileged merchandise.

Art. 10. Tariff classification.—(*a*) Articles composed entirely of nonprivileged merchandise shall be subject, on entry from a zone into customs territory, to tariff classification and appraisement in accordance with their condition and quantity at the time of such entry. The value of such articles, whether or not the product of manipulation in a zone, shall be determined for all customs purposes in accordance with sections 402 and 503 of the Tariff Act of 1930, and if such articles are the product of manipulation in a zone, the value shall be adjusted in accordance with the provisions of section 562 of the Tariff Act of 1930.

(*b*) Articles composed entirely of privileged merchandise subject to duty, or of such merchandise and privileged merchandise entitled to exemption from duty, shall be subject, on entry from a zone into customs territory, to the payment of only the liquidated duties certified in accordance with article 9 (*c*) (1) to be applicable thereto.

(*c*) Articles composed in part of privileged merchandise and in part of nonprivileged merchandise shall be subject, on entry from a zone into customs territory, to tariff classification and appraisement according to their condition and quantity at the time of such entry. For the purpose of assessing duties, however, the articles shall be constructively separated into components composed, respectively, of privileged and of nonprivileged merchandise. The privileged component in each case shall be subject to the payment of only the liquidated duties certified in accordance with article 9 (*c*) (1) to be applicable thereto, and the nonprivileged component shall be subject to duty in accordance with the tariff classification of the complete article as an entirety, the value of such component being determined as in the case of articles composed entirely of nonprivileged merchandise, as set forth in paragraph (*a*) of this article.

(*d*) Except as otherwise specially provided for in this article, the tariff classification of merchandise arriving in customs territory from a zone shall be determined in accordance with the general customs laws and regulations as if the merchandise to be classified had arrived from a foreign port or place on the date of its arrival from the zone.

Art. 11. Marking.—When brought into customs territory from a zone, every foreign article, and its immediate container, and the package in which such article is brought into customs territory shall be marked to indicate the country of origin, in accordance with the provisions of section 304, Tariff Act of 1930, and the regulations promulgated thereunder, provided, that when the individual identity of a foreign article, which itself is incapable of being marked, has been lost by reason of manipulation in a zone, the container and package shall be marked to indicate the country of origin of the components of the manipulated article. Articles may be marked in the zone without incurring the 10 per centum additional (marking) duty provided by section 304 of the tariff act.

Art. 12. Transfer of merchandise from one zone to another.—Any merchandise properly in a zone may be transferred to another zone under the procedure prescribed in chapter XVI of the Customs Regulations of 1931 for merchandise entered for transportation and exportation, except that the entry and manifest on customs form 7512 shall definitely show that they cover a zone-to-zone transaction, and no export declaration will be required upon delivery of the merchandise into the zone of destination.

(1) When privileged merchandise is transferred from one zone to another, the collector of customs in whose district the first zone is located shall transmit to the collector of customs in whose district the zone of destination is located, a certificate, as provided for in paragraph (*c*) (1) or (*d*) (1) of article 9, as the case may be, and the merchandise shall be subject in the zone of destination to the same conditions as to customs supervision and identification as in the first zone.

(2) Privileged merchandise which may be returned from a zone to customs territory and there released without formal entry, in accordance with article 9 (*d*), may be so released for transfer to another zone, and upon arrival at the zone of destination there entered under the provisions of article 5.

Art. 13. Disposition of abandoned merchandise.—Merchandise which has become abandoned to the Government as provided for in article 9 (*c*) shall be sold at the next regular sale in accordance with the provisions of articles 992, 993, 996 to 1000, inclusive, and 1005 of the Customs Regulations of 1931, insofar as these may be applied. From the net proceeds of the sale of such merchandise, after the expenses of sale are paid, the duties and taxes shall be paid, and the remainder, if any, shall be delivered to the owners of the property. Should the proceeds of sale be insufficient to pay the duties and taxes, after payment of charges having priority, the balance will be collected upon the bond.

Art. 14. Reimbursement of customs expenses.—(*a*) The Commissioner of Customs shall assign to each zone the necessary customs officers and guards to protect the revenue and to provide for the transfer of merchandise into customs territory.

(*b*) All necessary cost of maintaining the additional customs service required under the act and these regulations shall be reimbursed to the Government by the operator of the zone, payment to be made monthly to the collector of customs for deposit to the credit of the Treasurer of the United States as a refund to the appropriation "Collecting the revenue from customs."

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.

JUNE 28, 1935.

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